



NEIGHBORHOOD IMPROVEMENT ZONE PROGRAM

Supplemental Apportionment Worksheet for Corporations

Any business located within the Neighborhood Improvement Zone that is subject to capital stock/foreign franchise tax or corporate net income tax must complete this worksheet to apportion corporate taxes attributable to the business location(s) within the NIZ. Please attach the worksheet(s) to the NIZ Tax Report.

Worksheet Instructions

SECTION A: Property Factor

Within the NIZ – The average value of the taxpayer’s real and tangible personal property owned and used in the NIZ plus eight times the rental rate for real and tangible personal property rented and used in the NIZ.

Within PA – The average value of the taxpayer’s real and tangible personal property owned and used in PA plus eight times the rental rate for real and tangible personal property rented and used in PA. If the taxpayer uses three-factor apportionment in calculating its capital stock/foreign franchise tax or corporate net income tax, this amount will be the property reported inside PA on Table 1 of the Tables Supporting Determination of Apportionment Percentage, form RCT-106.

SECTION B: Payroll Factor

Within the NIZ – Total compensation paid in the NIZ. Compensation is considered paid in the NIZ under all of the following scenarios:

1. The person's service is performed entirely within the NIZ;
2. The person's service is performed within and outside the NIZ, but the service performed outside the NIZ is incidental to the service performed within the NIZ; and
3. Some of the service is performed in the NIZ, and the base of operations is in the NIZ.
 - If there is no base of operations, compensation is paid in the NIZ if the place from which the service is directed or controlled is in the NIZ.
 - If the place from which the service is directed or controlled is not in a location in which the employee’s work is performed, compensation is paid in the NIZ if the employee’s residence is within the NIZ.

Within PA – All compensation paid in PA. If the taxpayer uses three-factor apportionment in calculating its capital stock/foreign franchise tax or corporate net income tax, this amount will be the payroll reported inside PA on Table 2 of the Tables Supporting Determination of Apportionment Percentage, form RCT-106.

SECTION C: Sales Factor

Within the NIZ – Total sales in the NIZ during the tax period. Sales of tangible personal property are considered in the NIZ if the property is delivered or shipped to a purchaser that takes possession within the NIZ, regardless of the FOB point or other conditions of the sale. Sales, other than sales of tangible personal property, are in the NIZ if:

1. The income-producing activity is performed in the NIZ; or
2. The income-producing activity is performed within and outside the NIZ, and a greater proportion of the income-producing activity is performed in the NIZ than in any other location, based on costs of performance.

Within PA – All sales sourced to locations inside PA. This includes all sales destined to locations inside PA plus sales of goods picked-up by customers in the NIZ, either in their own vehicles or by common carriers arranged for by the customers and transported to locations outside the commonwealth. Since the sourcing of sales picked-up in the NIZ and transported outside the commonwealth is different for the calculation of the credit than the rules for sourcing these sales in the calculation of the three-factor apportionment, this may not equal the sales reported inside PA on Table 3 of the Tables Supporting Determination of Apportionment Percentage, form RCT-106.

SECTION D: Total Apportionment

Add the three factors from Sections A, B and C.

SECTION E: Calculation of Tax Percentage

Divide the Total Apportionment by 3.

SECTION F: NIZ Tax Liability

Multiply the Total Tax Payments remitted to the department during the calendar year from Sections A, B and C by the Tax Percentage from Section D. This is the NIZ Tax Liability to be applied on a quarterly basis on the NIZ Corporation Tax Statement.

EXAMPLE

A. PROPERTY FACTOR	$\frac{\text{Property In NIZ}}{\text{PA Property}} = \frac{10}{100} = 0.100000$
B. PAYROLL FACTOR	$\frac{\text{Payroll In NIZ}}{\text{PA Payroll}} = \frac{20}{100} = 0.200000$
C. SALES FACTOR	$\frac{\text{Sales In NIZ}}{\text{PA Sales}} = \frac{5}{100} = 0.050000$
D. TOTAL APPORTIONMENT	0.350000
E. TAX PERCENTAGE	$0.350000 / 3 = 0.116667$
F. NIZ TAX LIABILITY	$\text{Tax } \$1,000 \times 0.116667 = \$ 117$ If the Pennsylvania corporate tax payments made total \$1,000, the NIZ corporate tax liability is \$117, or 1,000 X 0.116667.

